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SUBJECT: Sri Lanka: Scen setter for the Visit of Deputy Assistant Secretary of Defense Clad

1. (SBU) Summary: Your visit comes at a critical time, with Sri Lanka's 25-year ethnic conflict entering a possibly decisive phase. Government forces have made significant progress against the Liberation Tigers of Tamil Eelam (LTTE) in the last several months, gaining a large swath of territory in Sri Lanka's northwest. However, the government also faces some challenges in its campaign against the LTTE, including shortages of some military supplies, such as parts for U.S. supplied equipment due to Congressional prohibitions, and an increasingly strained budget and a balance of payments shortfall. Bilateral relations between the U.S. and Sri Lanka, including counterterrorism cooperation, are generally good. However, the USG has been openly critical of the GSL's failure to rein in or punish serious human rights abuses. There is little evidence to date that the GSL will respond to the concerns of the U.S. Congress, allowing us to lift some of the restrictions on military assistance and exports of defense-related materials. Further progress on obtaining the release of child soldiers serving with government-sponsored paramilitaries could lead to the resumption of support for maritime and aerial surveillance under Section 1206 and other programs. End summary.

Military and Security Situation

2. (SBU) The Government of Sri Lanka is making steady progress in its semi-conventional counterinsurgency operations against the LTTE in the Northern Province, or "Vanni", region. Inadequate security and stability operations in the Eastern Province have resulted in continued deterioration of the security situation there, as the LTTE infiltrates its cadres to destabilize the provincial government and friction between Karuna and Pillaiyan factions of the TMVP grows more violent. The commitment of Army Special Forces and Commandos and Police Special Task Force units to support operations in the Vanni has left Colombo and the rest of the country more vulnerable. Terrorist incidents in the Colombo greater metropolitan area are up dramatically in 2008, but do not pose a threat to your visit. The LTTE does not target foreigners. However, the threat to U.S. citizens of being in the wrong place at the wrong time, particularly to those who associate with GSL officials targeted by the LTTE, increases with the rise in attacks.

Prognosis

3. (SBU) It appears increasingly likely that within the next 12 months, possibly sooner, the military may take the remaining LTTE-controlled areas of the Northern Province, which will drive residual LTTE forces underground and likely precipitate more

terrorist attacks countrywide. The LTTE probably will remain capable of massing sufficient forces to launch occasional guerrilla attacks against Government of Sri Lanka targets, but may also increasingly resort to terrorist operations against civilian and economic targets, including attacks focused on Tamil leaders aligned with the GSL, GSL military and political leadership, and high payoff targets such as critical infrastructure. To counter the changes in LTTE strategy, the GSL will shift its own focus from semi-conventional to counter-terrorist and stability support operations.

International Cooperation

¶4. (SBU) As the LTTE is reliant on external illegal financing and smuggling activities to sustain its operations, the U.S., as a leading proponent of global counter-terrorism efforts, had provided the GSL support in preventing and interdicting terrorist fund-raising and arms trafficking. Indian Navy support to SLN patrolling of the Palk Strait is another key contribution. India is also interested in providing maritime surveillance radars to Sri Lanka. Unable to acquire defense materiel from U.S. and European governments and defense industries because of human rights problems, the GSL enjoys continued sales from China, Pakistan, Russia, and other former Soviet republics. However, the GSL's mounting financial difficulties, including unsustainable fiscal and balance-of-payments deficits, have reportedly interrupted the flow of supplies from these partners, who are generally unwilling to extend further credits for arm sales and insist on cash. The GSL has also significantly drawn down its foreign exchange reserves in an attempt to defend the informal peg to the U.S. dollar and

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recently has come to the brink of default on payments to international banks, including obligations arising out of ill-considered petroleum hedging contracts.

Security Cooperation with the U.S.

¶5. (SBU) The U.S. generally has good relations with the GSL, including cooperation where possible on regional issues and within international organizations. We have an active dialogue on matters of mutual interest, including the sensitive area of human rights. Military-to-military relations are currently subject to significant constraints, however. Due to legislative restrictions related to human rights and child soldiers, procurement of U.S. military equipment has ceased. There is no expectation of significant substantive change to current U.S. legislative restrictions. Were the Secretary of State to certify that the GSL has made significant progress on the issue of child soldiers, the U.S. could resume transfers of equipment for aerial and maritime surveillance and communications. (State and DoD will seek to exempt communications from the possible new restrictions in the FY-09 appropriations legislation.)

Training and Exchanges

¶6. (SBU) The only restriction on training is the interagency policy prohibition against engagement with Sri Lankan Army Special Forces, Commandos, and Police Special Task Force personnel. This is generally interpreted to mean those currently serving in, as well as former members of, those units. In practice, engagement with the Sri Lankan military is strictly non-lethal, consistent with the U.S. position that there is no purely military solution to the conflict. The U.S. continues to advocate publicly and privately that the GSL should follow a political strategy to end the conflict. For the same reason, the Embassy has proposed postponing high-level U.S. military leader visits until spring, when the fighting may have slowed and more progress may have been made with regard to the release of child soldiers serving in the TMVP.

Human Rights Challenges

17. (SBU) The GSL's record on human rights remains the greatest obstacle to a normal military-to-military relationship. While recognizing that the GSL is not ready at this time to meet the criteria set out in section 699G of the 2008 Foreign Operations Appropriations Act, the Embassy has tried privately to persuade the government to take actions consistent with the objectives of the U.S. Congress in passing this legislation. For example, beyond obtaining the release of the paramilitaries' approximately 60 remaining child soldiers, we have suggested that the GSL should reinstate the independence of national bodies such as its Human Rights Commission and empower them to exercise their oversight and reporting functions. We have urged the government to rein in the shadowy groups responsible for abductions and disappearances and hold accountable those responsible for abuses, including in two high-profile 2006 cases: the murder of 17 aid workers in Muttur; and the separate killing of five students in Trincomalee. Most important, we and other friends of Sri Lanka, notably India, have asked the government to reach out to its minorities through a political strategy that promises significant devolution of power to the provinces and additional rights for minorities. Our efforts to engage on these issues have met with very limited success to date for two principal reasons. First the Government does not have the two-thirds parliamentary majority it would need to amend the constitution. Second, it is concerned that approving new rights for minorities could weaken its support among its majority Sinhalese voter base in advance of Provincial Council and possible parliamentary elections in 2009.

Opportunities to Engage

18. (U) We have an important role to play in helping the GSL stabilize and secure its Eastern Province through the DoD-funded 1207 program, which USAID is taking the lead in implementing. A key component of this effort will be to assist with demobilizing and retraining former members of the TMVP paramilitary. The program

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will also seek to reinvigorate the economy of the East through livelihoods creation and public-private partnerships to spur investment-led growth, and link the East to lucrative markets in the Western Province and abroad. In addition, PACOM activities will provide humanitarian assistance and small-scale infrastructure development in the East. The GSL will also face significant challenges in clearing and securing conflict-affected areas in the Northern Province. While there likely will be widespread support for development programs in the North, security will be the initial requirement. In order to resettle IDPs from the North as quickly as possible, de-mining will be a major need; however, the military faces considerable equipment constraints and international groups conducting existing de-mining projects operate at a slow pace. An innovative State Department program to create a humanitarian demining capacity within the Sri Lankan Army was initially successful, but some of the progress was lost when the units created were not kept together. Other international partners have little enthusiasm for working directly with the military on this, preferring to channel demining assistance through international NGOs and contractors with long experience in demining.

Major Sri Lankan Defense Concerns

19. (SBU) The military has repeatedly requested and/or attempted to independently procure spare and repair parts and maintenance services and training for its AN/TPQ-36 radars, its Bell 212 and 412 helicopters, its C-130 aircraft, and most recently its 30mm Bushmaster guns. The GSL has also expressed interest in acquisition of other military hardware, including Beechcraft airplanes. We have informed them that current 699G restrictions prohibit such transfers, and there is no indication that those restrictions will be reduced until the GSL meets the conditions that will enable the U.S. to lift them. The Sri Lankan Navy has repeatedly requested early warning of illicit merchant shipping supporting LTTE arms trafficking. The SLN cannot sustain the deployment level required to prevent all smuggling activity around its shores. The Army is suffering heavy casualties from LTTE artillery and mortar fires, and

the Chinese counter-battery radars are ineffective. The result is area counter-fires that risk collateral damage to infrastructure and civilian casualties, especially since the LTTE deliberately position their forces in civilian areas. The Air Force continues to employ "dumb" gravity bombs with imprecise results. The SLAF has been unable to acquire a more precise system. The SLAF also continues to struggle unsuccessfully to counter the LTTE air threat. The combination of Indian and Chinese radars, jets, and missiles has proved to be incapable of matching the LTTE's Zlin Z-143 propeller-driven planes with low heat signatures.

COMMENT

¶10. (SBU) The President and his advisors have successfully divided opposition forces against each other, but the heterogeneous and unwieldy coalition still does not provide a stable and reliable majority for the government in parliament. Moreover, the bloated administration -- with over 100 ministers and deputy ministers -- has a poor track record in many important areas of governance. As a result, the survival of the President's administration in its current form depends critically on maintaining the perception among the southern, Sinhalese Buddhist majority that the government is on the verge of winning the war against the Tigers. Perhaps for this reason, the defense and security authorities have been given free rein to conduct operations as they see fit. The current government and its predecessors have largely been unwilling to take action against alleged human rights violators. However, a recent MoD decision to hold officers and soldiers accountable for crimes committed while deployed on a UN peacekeeping mission to Haiti offers an opportunity to demonstrate that the military can punish abusers without undermining morale. We recommend you urge your senior civilian and military Defense Ministry interlocutors to take action against the perpetrators of some of the more egregious recent cases of human rights violations. You should also address with them some serious impediments that have arisen to a successful stabilization program in the East. Of greatest concern is the deteriorating security situation caused by the re-infiltration of LTTE intelligence cadres into the area; the GSL's failure to demobilize paramilitaries in the east; and the growing internecine friction between TMVP leaders Karuna and Pillaiyan. Without proper

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security conditions, our efforts to encourage new investment to help stabilize the east will falter, giving new opportunities to the LTTE.